

CORRECTED FISCAL NOTE

SB 517 - HB 1401

May 20, 1997

SUMMARY OF BILL: Amends the retirement law as follows:

- Adjustments to a retiree's retirement allowance will be made only if there is an *increase* in the Consumer Price Index
- Requires a cost-of-living increase even if the increase in the Consumer Price Index is less than 1%
- Makes the cost-of-living adjustments based upon the accumulated retirement allowance
- Requires that on 7-1-97, each retiree's current retirement allowance be increased to reflect approximately what the retiree's retirement allowance would have been had the retiree received such cumulative cost-of-living adjustments
- Provisions of the bill are optional to local political subdivisions

ESTIMATED FISCAL IMPACT:

On February 20, we issued a fiscal note on this bill indicating a fiscal impact of *Increase State Expenditures - \$56,947,000 Annual Amortized Cost; Increase Local Govt. Expenditures - \$15,822,000 Annual Amortized Cost and \$10,245,000/Permissive Annual Amortized Cost; Other Fiscal Impact - Increase Federal/Other Expenditures - \$6,676,000 Annual Amortized Cost.*

Based on additional information from the Division of Retirement, the fiscal impact is estimated to be:

Increase State Expenditures - \$51,673,000 Annual Amortized Cost

**Increase Local Govt Expenditures* - \$21,096,000 Annual Amortized Cost
\$10,245,000/Permissive Annual Amortized Cost**

Other Fiscal Impact - Increase Federal/Other Expenditures - \$6,676,000 Annual Amortized Cost

Estimate above assumes a ratio of 60% - 40% between state and local funding for K-12 teachers.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

James A. Davenport, Executive Director

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*